# GOVERNMENT OF INDIA
# COMMERCE AND INDUSTRY
# LOK SABHA

UNSTARRED QUESTION NO:1614
ANSWERED ON:10.12.2004
TAX ON TEA IN LINE WITH AGRICULTURAL TAX
Sen Smt. Minati

**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

(a) whether Government is considering their recommendation to levy VAT rate of 4% on tea instead of the proposed 12.5%, since tea is a common man`s beverage;

(b) is rationalisation of agricultural tax by State Governments has been also suggested to bring tax payable in the tea sector line with taxes on income;

(c) whether Government intend to announce the incentives shortly for production of Orthodox tea to enable the industry to increase the production of Orthodox tea by 20 million kg every year to step up exports;

(d) whether review of the Plantation Labour Act has been recommended; and

(e) whether Government proposes to set up a small grower development agency modelled on the Kenyan and Sri Lankan lines under the aegis of the Tea Board?

## Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI E.V.K.S. ELANGOVAN)

(a) : The proposal for fixing the VAT rate for tea to 4% was considered by the Empowered Committee of State Finance Ministers on VAT at its meetings held on 29th and 30th April 2003 but the same was not agreed to. The matter has been taken up again with the Empowered Committee of State Finance Ministers on VAT in the light of the recommendation that emerged at the stakeholders` conference on challenges before Indian tea industry held on 16th and 17th September 2004.

(b) Rationalization of Agriculture Income Tax by the State Governments so that the ultimate tax payable in the tea sector is in the line with the average taxes on income was also one of the recommendations at the stakeholders` conference on tea. As per available information, Agricultural Income Tax has been reduced from 45% to 35% in Assam with effect from 1.4.2004, from 45% to 30% in West Bengal with effect from 1.4.2003 and Tamil Nadu Agricultural Income Tax Act, 1955 has been repealed with effect from 1.4.2004. The proposal to rationalize the Agricultural Income Tax has also been taken up with the Government of Kerala.

(c): The scheme to be financed out of the special fund created with collections of additional excise duty on tea provides for incentives for production of orthodox tea in India.

(d): One of the recommendation that emerged at the stakeholders` conference on challenges before Indian tea industry held on 16th and 17th September 2004 was regarding review of the Plantations Labour Act keeping in view the changes in the plantations sector over the past 50 years and keeping in mind the interest of all stakeholders.

(e): The stakeholders` conference on tea has also recommended that in order to provide regular extension and marketing support to small growers and manufacturers, a special programme may be put in place under the aegis of the Tea Board to take care of their special needs. In pursuance of this Tea Board have proposed setting up of a Small Growers Development Directorate under the aegis of Tea Board .